MAY 2018

THE SUBJECT MATTER OF BILL C-74:

DIVISIONS 2, 4, 5, 6, 7, 12, 16 AND 19 OF PART 6 OF AN ACT TO IMPLEMENT CERTAIN PROVISIONS OF THE BUDGET TABLED IN PARLIAMENT ON FEBRUARY 27, 2018 AND OTHER MEASURES

Report of the Standing Senate Committee
on Banking, Trade and Commerce

The Honourable Douglas Black *(Alberta)*, *Chair*

The Honourable Carolyn Stewart Olsen, *Deputy Chair*

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THE COMMITTEE MEMBERSHIP

The Honourable Douglas Black *(Alberta)*, *Chair*
The Honourable Carolyn Stewart Olsen, *Deputy Chair*

The Honourable Senators

Jean-Guy Dagenais
Joseph A. Day
Sabi Marwah
Pierrette Ringuette
Scott Tannas
David Tkachuk
Betty Unger
Pamela Wallin
Howard Wetston

Ex-officio members of the committee:

The Honourable Senators Peter Harder, P.C. (or Diane Bellemare) (or Grant Mitchell); Larry Smith (or Yonah Martin); Joseph Day (or Terry Mercer); Yuen Pau Woo (or Raymonde Saint-Germain)

Other Senators who have participated in the study:

The Honourable Senators Eaton and Moncion

Parliamentary Information and Research Services, Library of Parliament:

Adriane Yong and Brett Stuckey, Analysts

Senate Committees Directorate:

Lynn Gordon, Clerk of the Committee
Kalina Waltos, Administrative Assistant

Senate Communications Directorate:

Marcy Galipeau, Communications Officer

ORDER OF REFERENCE

Extract from the *Journals of the Senate*, Tuesday, April 24, 2018:

The Honourable Senator Bellemare moved, seconded by the Honourable Senator Cools:

That, in accordance with rule 10-11(1), the Standing Senate Committee on National Finance be authorized to examine the subject matter of all of Bill C-74, An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures, introduced in the House of Commons on March 27, 2018, in advance of the said bill coming before the Senate;

That the Standing Senate Committee on National Finance be authorized to meet for the purposes of its study of the subject matter of Bill C-74 even though the Senate may then be sitting, with the application of rule 12-18(1) being suspended in relation thereto; and

That, in addition, and notwithstanding any normal practice:

1. The following committees be separately authorized to examine the subject matter of the following elements contained in Bill C-74 in advance of it coming before the Senate:

   (*a*) the Special Senate Committee on the Arctic: those elements contained in Division 9 of Part 6;

   (*b*) the Standing Senate Committee on Banking, Trade and Commerce: those elements contained in Divisions 2, 4, 5, 6, 7, 12, 16 and 19 of Part 6;

   (*c*) the Standing Senate Committee on Foreign Affairs and International Trade: those elements contained in Division 8 of Part 6;

   (*d*) the Standing Senate Committee on Legal and Constitutional Affairs: those elements contained in Divisions 15 and 20 of Part 6;

   (*e*) the Standing Senate Committee on National Security and Defence: those elements contained in Part 4;

   (*f*) the Standing Senate Committee on Energy, the Environment and Natural Resources: those elements contained in Part 5; and

   (*g*) the Standing Senate Committee on Agriculture and Forestry: those elements contained in Part 5, insofar as that Part relates to farming;

2. The various committees listed in point one that are authorized to examine the subject matter of particular elements of Bill C-74 be authorized to meet for the purposes of their studies of those elements even though the Senate may then be sitting, with the application of rule 12-18(1) being suspended in relation thereto;

3. The various committees listed in point one that are authorized to examine the subject matter of particular elements of Bill C-74 submit their final reports to the Senate no later than May 31, 2018;

4. As the reports from the various committees authorized to examine the subject matter of particular elements of Bill C-74 are tabled in the Senate, they be placed on the Orders of the Day for consideration at the next sitting; and

5. The Standing Senate Committee on National Finance be simultaneously authorized to take any reports tabled under point four into consideration during its study of the subject matter of all of Bill C-74.

The question being put on the motion, it was adopted.

Clerk of the Senate

Richard Denis

Summary of Evidence

On April 24th, 2018, the Standing Senate Committee on Banking, Trade and Commerce (the committee) was authorized by the Senate to study Divisions 2, 4, 5, 6, 7, 12, 16 and 19 of Part 6 of Bill C-74, An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018. In studying these proposed measures, the committee heard from officials from federal departments and organizations as well as representatives from the financial services sector.

A. Part 6, Division 2

Division 2 of Part 6 would amend the *Canada Deposit Insurance Act* to ensure that the Canadian insurance framework continues to meet its objectives, including financial stability. The Department of Finance Canada (the department) spoke about the importance of deposit insurance as part of Canada's financial safety net. It also told the committee that the proposed amendments modernize the scope of deposit insurance coverage to better reflect products currently offered in the market. For example, products that are no longer in use by banks, such as travellers' cheques, are no longer eligible for coverage. On the other hand, coverage would be extended to products such as foreign currency deposits held in Canada, which are widely held. The department further stated that the proposed amendments would clarify the record-keeping requirements for trust deposit accounts, facilitating more timely payouts in the unlikely event of a bank failure.

The department indicated that changes such as adding foreign currency deposits is expected to increase the total amount of deposits that are insured and would increase premiums charged to financial institutions in a corresponding way.

It also indicated that the purpose of the proposed changes related to Registered Disability Savings Plans (RDSPs) and Registered Education Savings Plans (RESPs) is to make the coverage for them similar to that of other registered products, such as Registered Retirement Savings Plans, so that all registered products would be covered up to the $100,000 limit. In its written submission, the Registered Deposit Brokers Association (RBDA) estimated that this proposed change may encourage financial institutions to administer deposit products within these registered plans, stating that most currently do not.

The RDBA also suggested adding a duty on the part of financial advisors to clarify deposit insurance rules with clients and to inform them when they have uninsured deposits. In its submission, the RBDA also requested further clarification with respect to the definition of a professional trustee.

B. Part 6, Division 4

Division 4 of Part 6 would amend the *Bank of Canada Act* to support the administration of the Exchange Fund Account. The Bank of Canada explained that the Bank has the authority to buy and sell securities issued or guaranteed by governments of countries in the European Union. Division 6 would amend the *Bank of Canada Act* to allow the Bank to continue to buy and sell securities issued or guaranteed by the United Kingdom, should it secede from the European Union.

C. Part 6, Division 5

Division 5 of Part 6 would amend the *Currency Act* to clarify that the Exchange Fund Account may provide a source of liquidity for the Government of Canada. The department noted that the Exchange Fund Account represents the largest component of Canada's official international reserves and that, in 2011, the federal government announced that it would be part of the government's prudential liquidity plan in the event of a financial emergency. The department further stated that Division 5 is a technical amendment to clarify that these funds may be used as a liquidity source and can be transferred to the Consolidated Revenue Fund if needed.

D. Part 6, Division 6

Division 6 of Part 6 would allow the Governor in Council to remove the legal tender status of older bank notes and denominations that are no longer issued by the Bank of Canada. In speaking to the committee, the department specified that removing the legal tender status of the 1000, 500, 25, 2 and 1 dollar notes would contribute to the reduction of illicit transactions and increase the security of Canadian banknotes in circulation since these notes are no longer issued by the Bank of Canada.

The Bank of Canada explained that removing legal tender status from these notes would mean that they can no longer be used for payment of debt but that the Bank would continue to honour them. The Bank also remarked that every note issued by the Bank of Canada since 1935 remains legal tender and that many of these notes are easy to counterfeit as they lack basic security features. It also informed the committee that the Bank of Canada would provide clear information, through a public outreach campaign, to Canadians on how to redeem their affected notes; there would be a period of time during which notes could be exchanged at financial institutions, after which Canadians would need to correspond with the Bank of Canada. It also clarified that if exchanging notes at a financial institution is costly or otherwise prohibitive, that there would be options for corresponding with the Bank of Canada for reimbursement

E. Part 6, Division 7

Division 7 of Part 6 would amend the *Payment Clearing and Settlement Act* (PCSA) to implement a financial market infrastructure (FMI) resolution regime. The department indicated that the proposed resolution framework would provide the government with the appropriate tool kit in the unlikely event that a systemically important FMI fails. It also noted that the FMIs that would be subject to the proposed legislation are overseen by the Bank of Canada and are considered to pose systemic or payment risks; therefore, it is important that they continue to operate, even in times of stress. The department suggested that the proposed amendments would provide a legal basis for federal authorities to intervene if a designated FMI is unable to recover from a "stress event," thus helping to preserve financial stability and minimize losses for Canadians during such an event. It further noted that the proposed amendments were developed in consideration of the international guidance from the Financial Stability Board and in collaboration with provincial securities regulators.

Payments Canada highlighted in its written submission to the committee that it participated in the consultation process that occurred. It submitted that the framework as currently drafted applies to a system, which may not be a legal person in law, and that it is unclear how the resolution plans for a system would be operationalized for Payments Canada as it is an entity that operates two systems. It also stressed the importance of periodic testing of the resolution plans in order to ensure that there would be continuity of operations.

In its written submission to the committee, the TMX Group expressed its support for the proposed amendments, but said that additional legal certainty and predictability are required with respect to the proposed recovery and resolution process. According to the TMX Group, the proposed amendments would grant broad discretion to the resolution authority, potentially introducing unnecessary uncertainty in the markets.

F. Part 6, Division 12

As part of Budget 2018, the federal government announced the creation of the new Canadian Centre for Cyber Security, which will be part of the Communications Security Establishment (CSE). Division 12 would provide for the transfer of employees responsible for cyber security from the Department of Public Safety and Emergency Preparedness and Shared Services Canada's Security Operations Centre to the CSE. As well, any cyber security information held by these departments would be permitted to be disclosed to the CSE.

CSE stated that Division 12 ensures that the employees transferred from these two departments would be able to bring required resources and data when they join the CSE. As well, it clarified that the CSE would remain part of the Department of National Defence and report to the Minister of National Defence, while the Minister of Public Safety would have broad responsibilities in relation to critical infrastructure and will be the lead for strategic cyber security policy.

The Canadian Bankers Association indicated its support for the consolidation of cyber security activities under the CSE. It mentioned that the banks already share information about their cyber security practices with multiple sectors and that they plan to share their expertise in digital security with the proposed centre. Lastly, it spoke about how the proposed centre would allow the sharing of information on a national level and the opportunity to engage in international cyber security discussions.

G. Part 6, Division 16

1. Subdivision A

Subdivision A of Division 16 would amend the *Bank Act*, *Trust and Loan Companies Act* and *Insurance Companies Act* to allow federally regulated financial institutions to engage in technology-related financial activities themselves or through a third party; to invest in fintech companies that primarily, but not necessarily solely, provide financial services; to collect, manipulate and transmit information; and to be an agent or make referrals to a third party with respect to the provision of financial services.

In its appearance before the committee, the department described "fintech" as both the innovative delivery of financial services through technology and a technology-focused company that offers financial services or related products. It said that during its consultation on the federal financial sector framework, stakeholders warned that there are impediments to banks investing in fintech companies, which has resulted in fintech companies having difficulty accessing capital and growing their markets. As well, it mentioned that the banks have commented that the financial sector is changing rapidly, and that they need to be competitive in the global market against companies like Amazon or Google. The department emphasized that fintech was identified by the vast majority of stakeholders as a core priority that needs to be addressed by the federal financial sector framework, and that the federal government must foster innovation by introducing changes to ensure that legislation is technology-neutral.

The Canadian Bankers Association expressed its support for Subdivision A in that it would modernize the *Bank Act* to allow relationships and investments between banks and a broader range of fintech companies and clarify the types of technology-related activities banks can engage in. As well, it highlighted that the proposed changes would remove barriers, such as lengthy regulatory approval processes, which would normally force fintech companies to pursue partnerships in other countries. It said that the proposed changes would allow fintech companies to have access to the banks' capital, distribution, regulatory oversight, strong customer base and advisory needs, and would provide consumers with new and improved products and services. The Bank of Canada and representatives from banks noted that banks already do business with fintechs; emphasizing that the proposed amendments would simply broaden the pool of fintechs that they are allowed to engage with and would not change the standards by which banks govern themselves when dealing with fintechs.

The Canadian Credit Union Association was also pleased with the proposed changes with respect to their impact on federal credit unions, but did note that smaller financial institutions could be shut out of the fintech market by larger institutions such as the banks, Google or Apple.

In a written submission, the Canadian Life and Health Insurance Association commented that it is supportive of the measures proposed in Bill C-74 that relate to fintech. It noted that not only will the changes allow life insurance companies to better serve their customers and to meet the demands and preferences of the Canadian marketplace, the amendments would provide Canadian fintech companies increased access to domestic financing and attract international companies to operate in Canada. Lastly, it mentioned that it looks forward to playing a constructive role in the regulatory development process. Similarly, Sun Life Financial, in a written submission, also expressed its support for the provisions in relation to fintech companies. It said that the framework for financial institutions must keep pace with changes in digitalized services, so that financial institutions can properly serve clients and maintain competitiveness. It also mentioned that it looks forward to providing input during consultations on future regulations that will accompany these legislative changes.

According to the Digital Finance Institute, innovation in financial technology requires the sharing of information by banks. It also noted that artificial intelligence is taking over financial services, and that for Canada to become a leader in this sector, fintech companies are going to need access to banking data. With respect to the open banking concept that is being studied in many countries, it said that banks are resistant to providing fintech companies with their data because significant resources were invested in collecting and protecting this data. It acknowledged that fintech companies are not as regulated as banks nor do they necessarily have the same resources or training; consequently, the proposed regulations concerning information sharing should provide guidance to fintech companies on how to treat the data, how to protect it for Canadians and how information can be shared responsibly. It suggested that the government implement appropriate policies and procedures as the fintech sector evolves but that it not over-regulate, as this could result in companies and talent moving to other countries. Lastly, it recommended that the federal government appoint a chief innovation officer, similar to the position in the United Kingdom, to work with the provinces and other stakeholders to help build an innovation culture in Canada and ensure our financial services are competitive with other countries. The department said that as part of its study on open banking, it is looking at whether there needs to be enhanced privacy rights when exchanging information.

Many senators expressed concern about the cyber security practices of fintech companies and the security of consumers' personal information when shared with these companies.

The department noted that federally regulated financial institutions are subject to the *Personal Information Protection and Electronics Document Act* (PIPEDA) which includes a requirement to obtain consumer consent before disclosing personal information; representatives from banks also noted that fintechs are also subject to PIPEDA. The department also mentioned that the

Office of the Superintendent of Financial Institutions (OSFI) is working with financial institutions to increase the cyber resiliency of the financial sector, and OSFI has guidelines that require the financial institutions to manage cyber risks in their relationships with unregulated entities. However, the department said that it did not know whether the Privacy Commissioner was consulted on the bill.

In his appearance before the committee, the Privacy Commissioner mentioned that he had not been consulted by the department with respect to the proposed amendments. In his written submission, he said that his main concern with Subdivision A is that it "removes the current impediments for federally regulated financial institutions to share personal information with [fintechs], without ensuring that parallel legislative measures are also adopted to ensure adequate privacy protection." He noted that because financial information is considered sensitive information, financial institutions and fintech companies are required under PIPEDA to obtain "express consent" from their customers when collecting, using or disclosing it. He indicated that his office is developing guidelines that set out that "express consent" would include four key elements: what information is being collected, who the information would be shared with, how the information would be used, and any significant risks or consequences for the customer in providing this information. In his view, if financial institutions and fintech companies were to obtain express consent from their customers, then a reasonable level of privacy protection would be achieved. However, he emphasized that he cannot compel these companies to obtain express consent, and he is uncertain whether privacy concerns would be addressed in any future regulations. With respect to data being transmitted across borders, he explained that Canadian companies are responsible for personal information transferred to a foreign party, and that the Office of the Privacy Commissioner works with its counterparts in other countries to investigate any violations of privacy legislation. He recommended that he be given the authority to compel companies to obtain express consent from their customers and agreed to draft a legislative proposal to address his concerns.

The Bank of Canada highlighted the risks involved in banks partnering with fintechs, stating that some of them offer critical services and may also fall outside the purview of system regulators, potentially posing risks to investor protection and privacy. It also explained that financial regulation is often proportional to the size and significance of the institution, with larger, more systemically important institutions being more heavily regulated than smaller, less significant ones; however, according to it, there is no proportionality with respect to cyber risk and operational risk, and even the smallest fintech firms require the same measure of cyber security as the largest member of the system. The Bank of Canada also added that regulations should support innovation while also controlling for potential risks.

BMO reasoned that banks' responsibilities to protect the privacy of their customers are not part of the *Bank* Act and are, therefore, not affected by the proposed amendments. The Canadian Bankers Association said that if a bank was just referring a customer to a fintech company, then it would not be directly providing personal information; however, if it had a more collaborative relationship with a fintech company, then the bank would ensure that appropriate cyber security measures were in place. Scotiabank noted that banks remain accountable for all

personal information in their possession, including information that has been transferred to third parties for processing or other functions on their behalf.

Furthermore, representatives from banks emphasized that banks only partner with companies that demonstrate high levels of data protection, as outlined in OSFI's guideline, Outsourcing of Business Activities, Functions and Processes; contractual arrangements are used to enable banks to ensure and monitor the protection of sensitive data; and that banks use a rigorous process to understand risks in the management of information according to another OSFI guideline, Operational Risk Management.

Another issue with Subdivision A that was raised by the Canadian Association of Mutual Insurance Companies and SkyBridge Strategies was with regard to how fintech companies would use any data and information they receive from banks. They said that permitting the banks to share, refer, transmit, or sell their customer data and transaction information to fintech companies could result in these unregulated companies using that information to engage in insurance activities. They noted that while the banks have insurance subsidiaries, these subsidiaries have no access to their parent bank's customer data. They asked that clauses 316 and 317 of the bill be removed so that they could be subject to a comprehensive parliamentary study that could be done in conjunction with the department's examination of open banking.

The Canadian Bankers Association said that it did not believe that the intent of those clauses was to circumvent the current prohibition on insurance activities by banks. According to the department and representatives from banks, the proposed changes would not affect the restriction on banks from engaging in insurance activities. They indicated that section 416 of the *Bank Act* and its regulations prohibit a bank from directly and/or indirectly providing customer information to an insurance company's agent or broker, preventing banks from using a fintech company to share information with an insurer. Furthermore, representatives from banks noted that the contracts that they enter into with fintechs explicitly prohibit the use of bank customer data for unauthorized purposes.

2. Subdivision B

Subdivision B of Division 16 would amend the *Insurance Companies Act* to allow insurance companies, insurance holding companies and fraternal benefit societies to make investments in infrastructure assets. The department stated that life insurance companies are currently not permitted to invest in infrastructure assets as part of the general restriction in the *Insurance Companies Act* on commercial investments. It noted that the proposed changes would create a new source of infrastructure financing that could support Canadian communities.

In a written submission, the Canadian Life and Health Insurance Association indicated that it is strongly supportive of the proposed changes as they would increase the ability of life and health insurance companies to make long-term and predictable investments, which life and health insurers need to match against their long-term obligations to policyholders. As well, it

highlighted that the proposed changes would allow the insurance industry, as a private sector institutional investor, to assist the government in addressing Canada's infrastructure deficit, which is estimated to be up to $400 billion.

In a written submission, Sun Life Financial stated that it also supports the proposed changes in relation to infrastructure investment. It noted that it welcomes the opportunity to compete with other institutional investors for access to investments through mechanisms such as the Canada Infrastructure Bank. Lastly, it said that investing in infrastructure would enable it to play a strong role in assisting the government in meeting its infrastructure objectives and improving the productivity of the economy.

3. Subdivision C

The *Bank Act* provides that only banks are allowed to use the terms "bank," "banker" and "banking" for naming purposes and when describing a business or service. Subdivision C of Division 16 would amend the *Bank Act* to expand the list of entities that can use these terms to include federally and provincially regulated trust and loan companies, cooperative credit societies, Alberta Treasury Branches Financial and any prescribed entity, provided these entities disclose the type of entity it is, the jurisdiction under which it is primarily regulated, whether it participates in a deposit insurance system in Canada and any other prescribed information. To enforce this provision, OSFI would be provided with the power to direct an entity to prove it is in compliance with the provision and to apply for a court order if the entity refuses to comply.

The department explained that the proposed changes would allow credit unions to use the restricted terms to describe their business, but that only banks can use the terms as part of their names and identifying marks. Moreover, non-bank financial institutions, such as fintech companies and payday lenders, would continue to be restricted from using any of the terms. As well, it noted that currently, OSFI can only proceed with criminal charges for violations of the *Bank Act*, but the proposed changes would provide OSFI with other mechanisms to ensure compliance with the *Bank Act*.

The Canadian Credit Union Association indicated that it was pleased with the changes in Subdivision C, as they would give the credit unions the flexibility to use generic banking terms. It did express some concern that the proposed regulations governing the disclosure of information by credit unions and caisses populaires could be extensive and have an impact on their competitiveness. It highlighted that the proposed disclosure requirements would not contribute to the safety and soundness of the financial sector, as credit unions and caisses populaires are already prudentially regulated and insured by the provinces and that provincial regulation is equally effective as the regulation of federal financial institutions. It suggested that credit unions and caisses populaires be allowed to meet the proposed disclosure requirements through a voluntary code, as it would allow smaller financial institutions to maintain their competitiveness while complying with the disclosure requirements.

4. Subdivision D

Subdivision D would amend the sunset provisions of the *Bank Act, Trust and Loan Companies Act* and *Insurance Companies Act* to extend the date to the "fifth anniversary of the day on which the Budget Implementation Act, 2018, No.1 receives Royal Assent." The sunset clause of the *Cooperative Credit Associations Act* was not extended; consequently, this statute will no longer be in effect after 29 March 2019.

The department noted that the proposed amendments in Division 16 are part of the review of financial sector legislation that occurs prior to the statutory sunset date, which is set for 29 March 2019, and that the renewal of the sunset clauses is what brings financial sector legislation to Parliament for review. It said that the proposed amendments reflect the key priorities identified in the review, which the department started in 2016, and that further amendments would be proposed, possibly involving changes to governance and prudential issues, by 2019.

H.Part 6, Division 19

Division 19 of Part 6 would make a number of amendments to the *Canada Pension Plan* in accordance with the agreement in principle reached by the federal and provincial finance ministers at their December 2017 meeting.

Employment and Social Development Canada told the committee that this Division would:

- eliminate the reduction in the survivor pension for survivors under age 45;
- establish that the amount of the death benefit is $2,500 for every eligible contributor, which would increase the amount of the death benefit paid to the estate of low-income contributors;
- create a complementary disability benefit for individuals under age 65 who receive a retirement pension;
- implement a drop-in mechanism that would protect the value of additional Canada Pension Plan (CPP) benefits for contributors who are disabled or parents with lower earnings during child-rearing years;
- maintain portability between the CPP and the Quebec Pension Plan following the adoption of changes to the latter;
- authorize the making of regulations that would maintain the financial sustainability of the additional CPP.

According to Employment and Social Development Canada, women would benefit relatively more from these changes given that they are more likely to reduce their work hours to take care of young children, get married at a young age or receive a disability pension.

In its written submission, the Canadian Association for Retired Persons commented on the proposed drop-in mechanism that would protect the value of additional CPP benefits for parents

with lower pensionable earnings during child-rearing years; during this period, the amount of pensionable earnings used in calculating additional CPP benefits would be equal to the average of such earnings in the five-year period preceding the birth or adoption of the child. It indicated that the proposed drop-in mechanism is different than the existing child-rearing drop-out provision used for base CPP retirement benefits; this provision allows CPP recipients to exclude a child-rearing period in calculating their amount of average pensionable earnings, which results in a larger base CPP retirement pension.

In its view, for most parents, the proposed drop-in mechanism would result in a lower amount of pensionable earnings than that which would be calculated through a drop-out provision since incomes tend to increase as people age. Consequently, it encouraged the federal government to use a drop-out provision to protect the value of additional CPP benefits for parents with lower earnings during child-rearing years, rather than the proposed drop-in mechanism.

The Committee's Observations

The committee has no concerns with the majority of the parts of Bill C-74, An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures that were assigned to it for study. However, the committee and some witnesses question whether Part 6, Division 16, Subdivision A of the bill, which amends the *Bank Act* and other financial sector framework legislation to expand the relationships between financial institutions and fintech companies, has been properly examined by the department with respect to its effect on the privacy of Canadians.

According to the Privacy Commissioner, this subdivision promotes innovation and the sharing of data without considering the effective protection of consumers' personal information. The committee feels that Canada's privacy laws need to be updated and made consistent with global standards. However, as PIPEDA is not within the scope of amendment for Bill C-74, the committee instead highlights this issue for further study by the federal government.

Additionally, as some witnesses spoke about the cyber security weaknesses of fintech companies and given the recent cyber security breaches in the financial sector, the committee remains concerned about the potential cyber security risks that this bill may introduce. The committee is currently conducting a study on these issues and plans to report to the Senate in the fall.

Lastly, the committee is frustrated to note that the last comprehensive *Bank Act* review that was conducted by the committee was in December 2011 with Bill S-5, An Act to amend the law governing financial institutions and to provide for related and consequential matters. The 2016 review was subsequently pushed forward in the *Budget Implementation Act, 2016, No. 1* to 29 March 2019. Bill C-74 then extends the sunset clause for financial sector legislation to 2023. The committee holds the view that having the five-year review of the *Bank Act,* the *Trust and Loan Companies Act,* and the *Insurance Companies Act* as part of a budget implementation bill, prevents the committee from fulfilling its parliamentary responsibility of examining issues related to the financial sector and giving any proposed changes to the legislative framework for financial institutions adequate deliberation.

WITNESSES

Thursday, May 3, 2018

Canadian Bankers Association:

Angelina Mason, General Counsel and Vice President;

Marina Mandal, Assistant General Counsel.

Canadian Credit Union Association:

Marc-André Pigeon, Assistant Vice President, Financial Sector Policy;

Athana Mentzelopoulos, Vice President, Government Relations.

Digital Finance Institute:

Christine Duhaime, Founder and Lawyer, Duhaime Law.

Canadian Association of Mutual Insurance Companies:

Normand Lafrenière, President.

SkyBridge Strategies:

Steve Masnyk, Principal.

Wednesday, May 9, 2018

Bank of Canada:

Toni Gravelle, Managing Director, Financial Markets Department;

Richard Wall, Managing Director, Currency Department;

Nikil Chande, Director, Financial Stability Department.

Canada Deposit Insurance Corporation:

John Rossi, Policy and Research Advisor.

Department of Finance Canada:

Yuki Bourdeau, Senior Advisor, Financial Sector Policy Branch;

Julien Brazeau, Senior Director, Framework Policy, Financial Sector Policy Branch;

Justin Brown, Director, Financial Stability, Financial Sector Policy Branch;

Manuel Dussault, Senior Director, Framework Policy, Financial Sector Policy Branch;

Marie-Josée Lambert, Director, Crown Corporation and Currency, Financial Sector Policy Branch;

Nick Marion, Director, Reserves Management, Financial Sector Policy Branch;

Eleanor Ryan, Director General, Financial Institutions Division, Financial Sector Policy Branch;

Saskia Tolsma, Senior Economist, Sectoral Policy Analysis, Economic Development and Corporate Finance;

Jeremy Weil, Senior Project Leader, Financial Sector Policy Branch.

Thursday, May 10, 2018

Department of Finance Canada:

Manuel Dussault, Senior Director, Framework Policy, Financial Sector Policy Branch;

Julien Brazeau, Senior Director, Framework Policy, Financial Sector Policy Branch;

Jeremy Weil, Senior Project Leader, Financial Sector Policy Branch;

Saskia Tolsma, Senior Economist, Sectoral Policy Analysis, Economic Development and Corporate Finance;

Galen Countryman, Director General, Federal-Provincial Relations Division.

Communications Security Establishment:

Scott Jones, Deputy Chief, IT Security.

Public Safety Canada:

Colleen Merchant, Director General, National Cyber Security Directorate.

Shared Services Canada:

Pankaj Sehgal, Assistant Deputy Minister, Cyber and IT Security.

Employment and Social Development Canada:

Marianna Giordano, Director, CPP Policy and Legislation.

Canada Revenue Agency:

Danielle Héroux, Director, CPP/EI Rulings Division.

Tuesday, May 22, 2018

Office of the Privacy Commissioner of Canada:

Daniel Therrien, Privacy Commissioner;

Barbara Bucknell, Director, Policy, Research and Parliamentary Affairs.

Wednesday, May 23, 2018

Bank of Canada:

Grahame Johnson, Managing Director, Funds Management and Banking Department;

Scott Hendry, Senior Special Director, Financial Technology, Funds Management and Banking Department.

Thursday, May 24, 2018

Royal Bank of Canada:

Holly Shonaman, Chief Privacy Officer.

TD Bank Group:

Jane Stubbington, Vice President, Compliance and Global Chief Privacy Officer.

Scotiabank:

Mike Henry, Chief Data Officer.

Bank of Montreal (BMO):

Chris Bradley, Associate General Counsel, Canadian Personal and Commercial Banking.

Canadian Imperial Bank of Commerce (CIBC):

Dave Bruyea, Senior Vice President and Chief Information Security Officer.

WRITTEN SUBMISSIONS

Canadian Life and Health Insurance Association

Stephen Frank, President and CEO

CARP

Marissa Semkiw, Director of Policy and Government Relations

Wanda Morris, Vice President of Advocacy

Office of the Privacy Commissioner of Canada

Daniel Therrien, Privacy Commissioner of Canada

Payments Canada

Anne Butler, Vice President, General Counsel and Corporate Secretary

Registered Deposit Brokers Association

Brian Evans, Chair, Board of Directors

Sun Life Assurance Company Canada

Alanna Boyd, Vice President, Public and Corporate Affairs

TMX Group

Glenn Goucher, President, Canadian Derivatives Clearing Corporation and the Canadian Depository for Securities Limited

APPENDIX

SENATE SÉNAT

STANDING SENATE COMMITTEE ON BANKING, TRADE AND COMMERCE

COMITÉ SÉNATORIAL PERMANENT DES BANQUES ET DU COMMERCE

May 31, 2018

The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister Morneau:

As you know, the Standing Senate Committee on Banking, Trade and Commerce is presently examining the subject matter of those elements contained in Divisions 2, 4, 5, 6, 7, 12, 16 and 19 of Part 6 of Bill C-74, *An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*, introduced in the House of Commons on March 27, 2018, in advance of the said bill coming before the Senate. The committee has held six meetings to-date.

I would like to take this opportunity to thank your officials for rescheduling their appearances to May 9th when we decided to cancel our May 2nd meeting on the subject matter in light of the unfortunate death of MP Gord Brown. That being said, I must, on behalf of the committee, express our concern and frustration with the lack of availability of your officials, including those from the Office of the Superintendent of Financial Institutions Canada (OSFI), on a couple of further occasions. Last week the committee focused on Division 16, Amendments to certain Acts governing federal Financial Institutions and Related Acts, and Subdivision A regarding Financial Technology Activities. Officials (Finance and OSFI) were requested to appear alongside the Bank of Canada at our meeting on Wednesday, May 23rd and again (OSFI) on Thursday, May 24th. Regrettably we were informed that no officials were available on either occasion.

I want to impress upon the Department of Finance Canada the importance of ensuring that top officials who can explain the work of the department and the particular legislative proposals are available. Given the importance of the pre study and the tight reporting date of May 31, 2018, the committee is extremely disappointed to have to make observations on this legislation without the important input that officials would have provided on the issues. The committee expects to receive better cooperation in the future.

I look forward to hearing from you on this matter.

Yours sincerely,

The Honourable Doug Black, Q.C.
Chairman
Standing Senate Committee on Banking, Trade and Commerce

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